

**TOWN OF BAR HARBOR, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

Management of the Town of Bar Harbor, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the Town of Bar Harbor, Maine (the Town) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Assets* – The assets of the Town exceeded its liabilities at fiscal year ending June 30, 2007 by \$25,249,909 (presented as “net assets”). Of this amount, \$4,945,977 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

*Changes in Net Assets* – The Town's total net assets increased by \$794,043 (a 3.25% increase) for the fiscal year ended June 30, 2007. Net assets of governmental activities increased by \$451,938 (a 2.84% increase), while net assets of business-type activities showed an increase of \$342,105 (a 4.01% increase).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the fiscal year ended June 30, 2007, the Town's governmental funds reported a combined ending fund balance of \$4,505,648 with \$702,199 being general undesignated fund balance. This undesignated fund balance represents approximately 7.86% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations decreased by \$329,915 (19.1%) during the current fiscal year. There were no new debt obligations issued. Existing debt obligations were retired according to schedule.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of

accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

#### **Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

##### **Net Assets**

78.67% of the Town's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>Total 2007</b>	<b>Total 2006</b>
Current Assets	6,198,227	1,348,459	7,546,686	7,333,094
Capital Assets	14,579,149	17,837,705	32,416,854	32,573,670
<b>Total Assets</b>	<b>20,777,376</b>	<b>19,186,164</b>	<b>39,963,540</b>	<b>39,906,764</b>
Current Liabilities	1,818,935	1,561,412	3,380,347	3,111,848
Other Liabilities	2,574,793	8,758,491	11,333,284	12,339,050
<b>Total Liabilities</b>	<b>4,393,728</b>	<b>10,319,903</b>	<b>14,713,631</b>	<b>15,450,898</b>
<b>Net Assets:</b>				
Invested in Capital Assets	11,657,992	8,508,276	20,166,268	19,238,967
Restricted	137,664		137,664	72,798
Unrestricted	4,587,992	357,985	4,945,977	5,144,101
<b>Total Net Assets</b>	<b>16,383,648</b>	<b>8,866,261</b>	<b>25,249,909</b>	<b>24,455,866</b>
<b>Total Liabilities and Net Assets</b>	<b>20,777,376</b>	<b>19,186,164</b>	<b>39,963,540</b>	<b>39,906,764</b>

### **Changes in Net Assets**

Approximately 67.1% of the Town's total revenue came from property and excise taxes, approximately 8.14% came from State subsidies and grants, and approximately 24.76% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,632,017 of the total expenses for the fiscal year.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>Total 2007</b>	<b>Total 2006</b>
<b><i>Revenues:</i></b>				
Taxes	12,625,087		12,625,087	11,745,814
Intergovernmental Revenues	1,519,646	12,324	1,531,970	1,683,609
Departmental Revenues	1,129,182	2,912,596	4,041,778	3,854,148
Investment Income		39,511	39,511	40,227
Other Local Sources	562,693	13,215	575,908	536,433
<b>Total</b>	<b>15,836,608</b>	<b>2,977,646</b>	<b>18,814,254</b>	<b>17,860,231</b>
<b><i>Expenses:</i></b>				
General Government	2,516,655		2,516,655	1,994,642
Public Safety	2,136,080		2,136,080	2,131,206
Health & Welfare	110,440		110,440	97,308
Parks and Recreation	229,607		229,607	201,735
Scenic Byway				
Island Explorer Shuttle Bus	32,042		32,042	30,810
Roads and Sanitation	1,975,798		1,975,798	1,884,603
Debt Service	9,201		9,201	11,740
Contingency			-	
Assessments	2,791,171		2,791,171	2,721,615
Compensated Absences				
Capital Outlay	293,648		293,648	580,626
Water Operations		980,094	980,094	905,924
Sewer Operations		1,653,932	1,653,932	1,620,876
Education Programs	3,316,053		3,316,053	3,685,004
Administrative Support	1,773,330		1,773,330	1,040,250
School Lunch	163,002		163,002	156,549
(Gain)/Loss on Disposal of Assets	37,643	1,515	39,158	(7,135)
<b>Total</b>	<b>15,384,670</b>	<b>2,635,541</b>	<b>18,020,211</b>	<b>17,055,753</b>
<b>Changes in Net Assets</b>	<b>451,938</b>	<b>342,105</b>	<b>794,043</b>	<b>804,478</b>

### **FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS**

#### **Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$4,505,648, an increase of \$387,206 in comparison with the prior year. Approximately 16.45 percent of this total amount constitutes undesignated fund balance. The remainder is reserved to indicate that it is not available

for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

**Proprietary Funds**

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**CAPITAL ASSET ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$54,550,540, net of accumulated depreciation of \$22,133,686, leaving a net book value of \$32,416,854. Current year additions included Capital Improvements, Water and Sewer additions.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Bar Harbor, 93 Cottage Street – Suite I, Bar Harbor, ME 04609.